



Cooperative  
Extension Service  
University of Illinois  
at Urbana-Champaign



# WEEKLY OUTLOOK

Department of Agricultural Economics  
College of Agriculture  
University of Illinois at Urbana-Champaign

September 11, 1985

## LARGE CROPS HAVE POLICY IMPLICATIONS

CORN AND SOYBEAN PRODUCTION PROSPECTS have apparently improved significantly over the past month. Private crop forecaster, Conrad Leslie, released estimates of those crops on September 6. The corn crop was estimated at nearly 8.5 billion bushels, about 220 million bushels more than the USDA's August 1 figure. The soybean crop was forecast at 2.095 billion, 135 million more than the USDA's August 1 estimate. The USDA will release revised production figures on September 11. We will review those figures next week.

While production potential is large, little growth in the size of the corn and soybean market is forecast. This is consistent with the trend of the past seven years. Corn used for all purposes totaled 7.077 billion bushels in 1978-79. Use jumped to 7.616 billion in 1979-80 as exports were record large and feed use was near the all time high. Over the past 5 years (including 1984-85) use has ranged from 6.574 billion to 7.29 billion and averaged 7.041 billion. Use in 1985-86 will likely be less than 7.1 billion bushels.

Feed use during the 1984-85 marketing year is expected to total 4.15 billion bushels, exactly equal to the average of the past four years. The lack of growth is partially the result of increased wheat feeding. To a larger extent, however, it reflects a domestic meat market that is apparently fully saturated.

There continues to be growth in the domestic processing uses of corn, particularly for the production of ethanol and high fructose corn syrup (HFCS). Ethanol production is being threatened by imports and growth in HFCS demand is slowing.

Corn exports have generally been lower since 1979-80. Expansion this past year was the result of a poor grain crop in the U.S.S.R. A significant reduction in exports is expected for the 1985-86 marketing year.

Soybean use totaled 1.855 billion bushels in 1978-79, jumped to 2.079 billion in 1979-80 and then declined to 1.842 billion in 1980-81. Use was large in 1981-82 and 1982-83 (averaging 2.074 billion) as exports were record large. Use declined to 1.805 billion in 1983-84 and to an estimated 1.717 billion bushels

STATE • COUNTY • LOCAL GROUPS • U.S. DEPARTMENT OF AGRICULTURE COOPERATING

THE ILLINOIS COOPERATIVE EXTENSION SERVICE PROVIDES EQUAL OPPORTUNITIES IN PROGRAMS AND EMPLOYMENT.

this past year. The recent drop in use reflects the decline in exports as detailed in our letter of August 21.

Excluding 1983 (when the PIK program was in effect), corn production over the past seven years has averaged about 800 million bushels more than use. Soybean production has averaged about 100 million bushels more than annual use.

The basic imbalance between production and market size has implications for agricultural policy. The domestic market is not likely to expand significantly. Even with subsidies, it is unlikely that exports will increase enough to prevent a continuation of large inventories. For the near term at least, production controls will still be required.

Acceptable methods for reducing production is and will continue to be an important part of the 1985 farm bill debate. The debate will likely center around three fundamental approaches to production controls: acreage or marketing quotas, a "free market", and government-financed economic incentives. The implications of both the mandatory controls and the free market approach would be very dramatic. It would be surprising if policy moved very far in either of these directions. The need for compromise and the unwillingness of Congress to deal with the budget deficit will likely result in a continuation of acreage control provisions not significantly different from current programs.

*Darrel Good*

Issued by *Darrel Good*, Extension Specialist, Prices and Outlook

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

Official Business  
Penalty for private use, \$300

POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF  
AGRICULTURE  
AGR 101

